

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 SS-15 SP-02 EB-08 SIL-01
CIAE-00 INR-10 NSAE-00 L-03 OMB-01 TRSE-00 CEA-01
XMB-02 STR-07 IO-13 HA-05 LAB-04 INRE-00 SSO-00
NSCE-00 /092 W
-----121579 082111Z /41

O R 082000Z JUN 78
FM AMEMBASSY KINGSTON
RUEHC/SECSTATE WASHDC IMMEDIATE 1661
INFO AMEMBASSY BOGOTA
AMEMBASSY QUITO
AMEMBASSY LIMA
AMEMBASSY MEXICO
AMEMBASSY BRASILIA
AMEMBASSY GUATEMALA

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STATE-AID MESSAGE

E.O. 11652: NA
TAGS: EAID, JM
SUBJECT: DEVELOPMENT COOPERATION STRATEGY FOR MIDDLE INCOME COUNTRIES

REF: STATE 135009

1. WE WARMLY WELCOME THE DECISION TO CONSIDER A POSSIBLE U.S. GOVERNMENT-WIDE STRATEGY OF ECONOMIC COOPERATION WITH "MIDDLE INCOME" COUNTRIES. BECAUSE MOST OF THESE COUNTRIES SHARE THE MAJOR PROBLEMS OF LDC'S IN GENERAL, BECAUSE THEY INCLUDE LEADERS OF THE DEVELOPING WORLD AND ARE IMPORTANT PARTICIPANTS, POSSIBLY BRIDGES, IN THE NORTH-SOUTH DIALOGUE, BECAUSE THEY REPRESENT MAJOR U.S. TRADE AND INVESTMENT PARTNERS AMONG THE LDC'S AND, BECAUSE, THE OUTCOME OF THEIR

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DEVELOPMENT STRUGGLES WILL STRONGLY INFLUENCE THE POLITICAL CONTEXT IN WHICH WE WILL MOVE, WE ENDORSE THE VIEW THAT THE USG SHOULD DEVELOP A POSITIVE POLICY TOWARDS THESE COUNTRIES.

2. ALTHOUGH THE SO-CALLED MIDDLE INCOME COUNTRIES MAY HAVE SOME COMMON DEVELOPMENT CHARACTERISTICS, SUGGESTING THE POSSIBILITY OF A GENERAL STRATEGY RELEVANT TO THEM, WE

JOIN WITH THOSE WHO WOULD EMPHASIZE THE COUNTRY SPECIFIC NATURE OF THEIR DEVELOPMENT PROBLEMS.

3. JAMAICA IS A CASE IN POINT. ITS POLITICAL TRADITIONS AND PRACTICES AND ITS EQUITY-ORIENTED SOCIAL GOALS REPRESENT A UNIQUE COMBINATION. A LIVE DEMOCRACY, INDEPENDENT JUDICIARY, FREE ELECTIONS, PARLIAMENTARY SYSTEM, FREE PRESS AND WITH A DECENT RESPECT FOR HUMAN RIGHTS, IT IS STRUGGLING TO COPE WITH GRAVE ECONOMIC PROBLEMS. IT IS ONE OF THE FEW NATIONS IN THE DEVELOPING WORLD WHICH IS TESTING THE CAPACITY OF A DEMOCRATIC SOCIETY TO OVERCOME CENTURIES -OLD STRUCTURAL PROBLEMS AS WELL AS DIFFICULTIES ARISING FROM RELATIVELY RECENT RAPID AND MAJOR ALTERATIONS WITHIN THE INTERNATIONAL ECONOMIC SCENE. EVEN IF THERE WERE NO GENERAL "MIDDLE-INCOME" COUNTRY STRATEGY, THESE CONSIDERATIONS SUGGEST THE IMPORTANCE TO THE U.S. OF ASSOCIATING ITSELF CONSTRUCTIVELY WITH JAMAICANS EFFORTS TO DEVELOP AND GROW.

4. THERE IS NO DOUBT THAT JAMAICA'S OWN RESOURCES ARE INSUFFICIENT, AT LEAST FOR THE NEXT SEVERAL YEARS, TO DEAL SUCCESSFULLY WITH ITS PROBLEMS AND MOVE ON TO A SOLID GROWTH AND DEVELOPMENT COURSE. EXTERNAL ASSISTANCE (PUBLIC AND PRIVATE CAPITAL TRANSFERS, TECHNICAL ASSISTANCE, TRADE ADJUSTMENTS) IS NEEDED. AND, FORTUNATELY, THE KIND AND LEVEL OF PUBLIC AND PRIVATE ASSISTANCE WHICH THE U.S. AND OTHERS COULD MAKE AVAILABLE

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WOULD MAKE A SIGNIFICANT DIFFERENCE IN WHETHER OR NOT JAMAICA IS SUCCESSFUL. OUR ABS SUBMISSION ALONG WITH MANY PAST MESSAGES, PROJECT PAPERS AND OTHER DOCUMENTS, SETS FORTH JAMAICA'S MOST CRITICAL DEVELOPMENT NEEDS AND CONSTRAINTS: REVITALIZATION OF THE AGRICULTURAL SECTOR; DIVERSIFICATION OF EXPORTS; REVIVAL OF THE PRIVATE SECTOR; CREATION OF AN EFFECTIVE SYSTEM OF PUBLIC ADMINISTRATION; EXPLORATION OF NON-TRADITIONAL SOURCES OF ENERGY. THESE ARE SOME OF THE MAJOR AREAS WHICH, IF EFFECTIVELY ADDRESSED, WOULD BRING ON AN INCREASE IN PRODUCTIVITY, A REDUCTION IN UNEMPLOYMENT AND A REVERSAL IN THE FIVE YEAR DOWNTURN IN ECONOMIC ACTIVITY.

JAMAICA'S EQUITY TARGETS WOULD ALSO BE MORE FEASIBLE OF ACHIEVEMENT.

4. JAMAICA'S BALANCE OF PAYMENTS CRISIS IS ITS MOST IMMEDIATE PROBLEM. IT REFLECTS UNDERLYING DEVELOPMENT DEFECTS AND IT CREATES MAJOR CONSTRAINTS IN DEALING WITH THEM. IT HIGHLIGHTS THE NEED FOR THE INTERNATIONAL DONOR COMMUNITY TO DEVELOP ASSISTANCE INSTRUMENTS WHICH RESPOND DIRECTLY TO THE NEED TO TRANSFER RESOURCES WHICH CAN BE PROMPTLY USED FOR IMPORTS. IT CALLS ON DONORS TO DEVISE IMAGINATIVE MECHANISMS WHICH, WHILE ADDRESSED

TO SECTORAL OR PROJECT OBJECTIVES, PROVIDE FOR IMMEDIATE AND NEAR TERM BALANCE OF PAYMENTS HELP.

5. JAMAICA'S SITUATION ALSO UNDERLINES A NEW APPRECIATION, NAMELY THAT WITHOUT ADEQUATE GROWTH, SATISFACTORY IMPROVEMENTS IN DISTRIBUTION ARE NOT LIKELY TO BE ACHIEVED. THE USG AND OTHERS, THEREFORE, NEED TO DEVELOP ASSISTANCE INSTRUMENTS WHICH, BY ABETTING GROWTH, FACILITATE SOCIAL OBJECTIVES ALONG THE LINES OF A.I.D.'S CONGRESSIONAL MANDATE. WE BELIEVE THAT THE POINTS MADE IN PARAGRAPHS 4 AND 5 ARE APPLICABLE IN MANY OTHER DEVELOPING COUNTRIES, MIDDLE INCOME AND OTHERS. FORTUNATELY, JAMAICA'S MODEST SIZE MEANS THAT THE U.S. AND OTHER DONORS SHOULD BE ABLE, IN SUPPORT OF SENSIBLE SELF-HELP EFFORTS, TO BRING TO BEAR A SUFFICIENT MAGNITUDE OF LIMITED OFFICIAL USE

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EXTERNAL ASSISTANCE TO HAVE A REAL IMPACT ON MACRO-ECONOMIC OBJECTIVES, AND IN CONSEQUENCE, ON OUR EQUITY TARGETS.

6. WE APPRECIATE THIS OPPORTUNITY TO COMMENT AND LOOK FORWARD TO CONTINUED PARTICIPATION IN THIS IMPORTANT EXERCISE.
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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, LESS DEVELOPED COUNTRIES
Control Number: n/a
Copy: SINGLE
Draft Date: 08 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978KINGST04624
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780240-0316
Format: TEL
From: KINGSTON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780682/aaaacsnd.tel
Line Count: 142
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 0830408f-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 135009
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2441140
Secure: OPEN
Status: NATIVE
Subject: DEVELOPMENT COOPERATION STRATEGY FOR MIDDLE INCOME COUNTRIES
TAGS: EAID, JM, US
To: STATE BOGOTA
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/0830408f-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014